

INFORMATION REPORT

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COUNTRY Czechoslovakia

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SUBJECT General Economic Conditions
in Czechoslovakia

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SUPPLEMENT TO
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THIS IS UNEVALUATED INFORMATION

- 25X1 1. It is now generally accepted in all government circles in Czechoslovakia that
25X1 the state of the country's economy is chaotic. The economic events leading up
to this state of affairs have all arisen from a critical lack of imports of
raw materials for Czechoslovakia's basic engineering and rolling mill industries.
This is caused by a current lack of purchasing currency and the curtailment of
imports from the west. Holdings of foreign currency are now non-existent, and
the reputed Soviet loan under the Soviet-Czechoslovak agreement has not mater-
IALIZED.
2. In general, trade with the USSR is, from the Czechoslovak point of view, eco-
nomically unsound in that the USSR's demands for the export of iron, steel,
machines, and machine tools are heavily weighted in its favor when compared
with the inferior quality of Soviet goods exported to Czechoslovakia. Parti-
cularly, the supply of Soviet cotton is of an extremely poor quality.
- 25X1 [REDACTED]
- 25X1 [REDACTED]
- 25X1 [REDACTED] The USSR, however, still maintains that she will deliver 1.2 mil-
lion tons, although only of this lower grade.
3. As far as Czechoslovak products are concerned, the exports of oil drilling tubes
to the USSR is expected to be held up indefinitely within a few months if the
supply of the special machine tool for joining the tubes together is not main-
tained.
- 25X1 [REDACTED]
- 25X1 [REDACTED] Czechoslovakia has been forced
25X1 to warn the USSR to expect a decrease, and eventual non-delivery, of the tubes.
4. Further set-backs to the Czechoslovak import program have occurred from the non-
delivery of ferro-silicates [REDACTED] This has forced the Czechoslovaks to
try to purchase them [REDACTED] from Yugoslavia [REDACTED]
- 25X1 [REDACTED]
- 25X1 [REDACTED]
- 25X1 [REDACTED] It is also true that, in the
25X1 past, promised deliveries of goods by Czechoslovakia under the barter system have
25X1 not always materialized.

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CENTRAL INTELLIGENCE AGENCY

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- 25X1 Yugoslavia, having recently sold 15 million dollars' worth of copper [redacted]
 25X1 [redacted] has now abruptly reduced her export of raw copper to Czechoslovakia to
 25X1 4,000 tons instead of the contracted 15,000 tons for 1949. Because of this,
 25X1 Czechoslovakia is now trying to purchase raw copper [redacted]
 25X1 [redacted] to renew her supply which was recently curtailed.
- 25X1 The rolling mill industry, Ceskoslovenske hute, is extremely perturbed because
 25X1 the purchase of a complete rolling mill [redacted] the contract for which
 25X1 (including part payments) has already been drawn up, is now being held up as
 25X1 [redacted] authorities are withholding the granting of an export license for
 25X1 this mill. It will vitally affect production within six months if this license
 is not granted.
- Poland is refusing to deliver raw zinc to Czechoslovakia and has instead forced
 her to take delivery of zinc plates of an inferior quality. These, although in-
 tended in the combined Polish-Czechoslovak agreement for re-export, have had to
 be forced on the home market because of their exceptionally low standard.
- In general, the proposed economic integration of these two countries, Poland
 and Czechoslovakia, is not being implemented and is slowly turning into a
 'paper agreement' only. The reason given for this by the Czechoslovak Ministry
 of Foreign Trade is that at all levels of the Polish industry, including the
 factories and workshops, there exists strong resentment against Polish economic
 assistance to Czechoslovakia. Examples of short, or inferior, Polish delivery
 of goods, as shown in the supply of zinc mentioned above, are occurring very
 frequently.
- The current stock of raw materials for the ferrous and non-ferrous industry in
 Czechoslovakia covers only four to six months' consumption. This alarming de-
 cline in stocks is due directly to the lack of dollar and sterling holdings.
- In an attempt to combat this appalling state of affairs, the Czechoslovak Foreign
 Ministry established a new Trade Department under the name of Merkuria whose func-
 tion is to persuade the Western Powers, which are claiming compensation for their
 nationalized property in Czechoslovakia, to recommence the flow of trade between
 Czechoslovakia and themselves under the promise of eventual agreement of such
 compensation.

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Comment: The sweeping character of some of the above statements, although
 made in good faith, should be accepted with reservation.

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